



Town Council Agenda Report

SUBJECT: Resolution

CONTACT PERSON/NUMBER: Gail Reinfeld, (954) 797-1020

TITLE OF AGENDA ITEM: A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, SELECTING CIGNA HEALTHCARE TO PROVIDE GROUP MEDICAL INSURANCE AND AUTHORIZING THE ADMINISTRATIVE SERVICES DIRECTOR TO EXECUTE THE APPLICATION FOR INSURANCE.

REPORT IN BRIEF: The Town received a significant rate increase for medical insurance from its current carrier, Prudential HealthCare. Effective January 1, 00, the premiums will increase by 27.84% for the Health Maintenance Organization plan and 61.17% for the Point of Service plan. The Town decided it would seek proposals from alternate carriers and retained the services of Marsh (a subsidiary of The Mercer Group) to coordinate the proposal process. The Town solicited proposals on November 1, 1999, from health insurance carriers and five proposals were received on November 19, 1999. Proposals were submitted by the following medical insurance carriers: Cigna HealthCare, Florida League of Cities, HIP, Humana, and United HealthCare. The Selection Committee reviewed proposals on November 23, 1999, and found that United submitted the highest proposal and Cigna submitted the lowest proposal. The Florida League of Cities submitted a proposal only for the Point of Service plan and, therefore, did not meet the Town's specifications. As Cigna HealthCare and HIP offered the most competitive and comparable benefit designs, they were selected to make presentations to the Committee.

On December 1, 1999, the Selection Committee recommended the use of Cigna HealthCare as the preferred provider instead of HIP. Cigna's offers a plan design that has substantially equivalent benefits to the current plan, so no bargaining issues were created with the represented groups, and it offered quality medical benefits. Further, Cigna's physician match was approximately 59% which results in a 41% disruption rate. The premiums for Cigna are 13% lower than the January 1, 2000 rate increase from Prudential for the Health Maintenance Organization plan and 28% lower than the Point of Service plan. Also, upon review of HIP's plan, it was determined that HIP could not match the Town's current plan design, the premiums were higher than Cigna's with less coverage, and the physician match was lower than Cigna's (approximately 48%) which results in a disruption rate of 52% -- a higher percentage than the disruption rate resulting from the plan offered by Cigna.

Cigna was the only insurance carrier that provided a plan design comparable to the Town's current design, but an alternative to the selection of Cigna HealthCare would be to continue the Town's medical insurance with Prudential HealthCare at a 27.84% increase for its Health Maintenance Organization plan and a 61.17% increase for its Point of Service plan. However, insurance expenses for the Town were budgeted with a 15% increase, therefore, most of Prudential's increase in premiums has not been budgeted.

PREVIOUS ACTIONS: Not applicable

CONCURRENCES: The Town's Selection Committee recommends Cigna HealthCare as the firm best qualified to provide medical insurance services to the Town.

FISCAL IMPACT:

Has request been budgeted? yes

If yes, expected cost: \$1,976,818 (Town's share is \$1,481,617)

Account Name: Medical Insurance

The monthly premiums for the Health Maintenance Organization plan are: single coverage, \$180.13; and, dependent coverage, \$540.39. The premiums for the Point of Service plan are: single coverage, \$197.43; and, dependent coverage, \$592.30.

RECOMMENDATION(S): Motion to approve the Resolution

Attachment(s): Resolution, Application, Rating Form, Summary Report and Cost Comparison Renewal Analysis

RESOLUTION NO. _____

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, SELECTING CIGNA HEALTHCARE TO PROVIDE GROUP MEDICAL INSURANCE AND AUTHORIZING THE ADMINISTRATIVE SERVICES DIRECTOR TO EXECUTE THE APPLICATION FOR INSURANCE.

WHEREAS, the Town solicited proposals for group medical insurance for employees and their dependents, elected officials, and eligible participants; and

WHEREAS, the Selection Committee has selected Cigna HealthCare as the firm best qualified to provide group medical insurance; and

WHEREAS, it is in the Town's best interest to execute the application for insurance.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA:

SECTION 1. The Town Council of the Town of Davie accepts Cigna HealthCare as the carrier for group medical insurance and authorizes the Administrative Services Director to execute the application for insurance, attached hereto as Exhibit "A".

SECTION 2. The initial term is one (1) year. By ordinance, insurance may be renewed for up to four (4) additional one year terms beyond the original contract. Extensions, if appropriate, will be handled administratively by staff, subject to budgetary approval by Town Council.

SECTION 3. This resolution shall take effect immediately upon its passage and adoption.
PASSED AND ADOPTED THIS _____ DAY OF _____, 1999

MAYOR/COUNCILMEMBER

Attest:

TOWN CLERK

APPROVED THIS _____ DAY OF _____, 1999

Application

Insured and/or Administered by
Connecticut General Life Insurance Company
CIGNA HealthCare



1. NAME OF APPLICANT Town of Davie, Florida		2. MAIN ADDRESS 6591 Orange Drive, Davie, FL 33314																																																													
3. NATURE OF BUSINESS Municipality																																																															
4. CLASSES AND LOCATIONS OF INDIVIDUALS ELIGIBLE		5. SUBSIDIARY AND AFFILIATED COMPANIES INCLUDED																																																													
6. TOTAL NUMBER OF INDIVIDUALS ELIGIBLE:		FOR INDIVIDUAL BENEFITS																																																													
		FOR DEPENDENT BENEFITS																																																													
HAVE ANY OF THE CLASSES OF INDIVIDUALS ELIGIBLE BEEN COVERED UNDER A GROUP INSURANCE POLICY OR ANY OTHER FORM OF GROUP PLAN WITHIN THE PAST FIVE YEARS? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No IF SO, PLEASE SPECIFY THE BENEFITS, THE UNDERWRITING COMPANY OR ORGANIZATION, AND THE DATES THESE BENEFITS WERE TERMINATED																																																															
7. GROUP INSURANCE APPLIED FOR (Please check all that apply)																																																															
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a. Effective Date Requested: January 1, 2000 Group Insurance at the Insurance Company's rates and under the terms of the policy(s) applied for will take effect on the Effective Date Requested if the Application is accepted at the Home Office of the Insurance Company. If certain persons eligible are to contribute to the cost of the Group Insurance, such Group Insurance will take effect on the later of: the date the required number have enrolled, or on the Effective Date Requested. If this Application is not accepted, no insurance will become effective. Any premium advanced by the Applicant will be refunded upon surrender of this Conditional Receipt.																																																															
b. THE APPLICANT DECLARES: that he has read the above statement and the answers to the above questions are complete and true. The Applicant agrees: (1) that this Application is offered as an inducement for the Group Insurance applied for; (2) that this Application will form a part of any policy issued; (3) that only the information on this Application will bind the Insurance Company; and (4) that no waiver or change will bind the Insurance Company unless signed by an Executive Officer of the Insurance Company. Group Insurance will only be provided for persons eligible under the policy(s) issued.																																																															
Dated at Davie, Broward County, FL on _____																																																															
Name of Applicant Town of Davie, Florida																																																															
By Gail Reinfeld, CMC/AAE, Town Clerk Title Administrative Services Director																																																															
Witness _____ Soliciting Agent if other than Witness																																																															
Any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony of the third degree.																																																															
STATEMENT TO BE SIGNED BY APPLICANT UPON PAYMENT OF THE PREMIUM OR ANY PART THEREOF																																																															
I HEREBY DECLARE that I have paid to James P. White Agent																																																															
_____ Dollars for which I hold his receipt bearing the same number as this application.																																																															
Date _____ Applicant Town of Davie, Florida																																																															
Agent _____ Agent's License No. _____																																																															

506732 Rev. 6-96 FOR USE IN FLORIDA ONLY
GM5801 VB

Nº 15703

Conditional Receipt

Insured and/or Administered by
Connecticut General Life Insurance Company
CIGNA HealthCare



Received of _____ Dollars to be applied against the first premium on the proposed Group Insurance under this Application. This payment is made and accepted subject to the following conditions. Group Insurance at the Insurance Company's rates and under the terms of the policy(s) applied for will take effect as of the Effective Date Requested if the Application is accepted at the Home Office of the Insurance Company. If certain persons eligible are to contribute to the cost of the Group Insurance, such Group Insurance will take effect on the later of: the date the required number have enrolled, or on the Effective Date Requested. If the Application is not accepted, no insurance will become effective. Any premium payment advanced by the Applicant will be refunded upon surrender of this Conditional Receipt.

Date _____ Agent _____ Agent's License No. _____

506732 Rev. 6-96 FOR USE IN FLORIDA ONLY
GM5801 VB

DETACH THIS RECEIPT WHEN PAYMENT IS MADE

Exhibit "A" **Nº 15703**

This summary is a result of the Request for Proposal (RFP) released by Marsh, USA, Inc. November 19, 1999, on behalf of the Town of Davie. The purpose of this quotation was to market and solicit bid responses for the Health Insurance program as well as the Employee Assistance Program (EAP).

Enclosed we have performed a comprehensive analysis based on the criteria outlined in the RFP. This information included Plan design, Rates, Contracts and a general overview. The enclosed analysis is broken out into several sections and was completed in an effort to pick several finalists for the interview process.

Markets Approached
Medical Cost comparison
Medical Plan Comparison
EAP Cost and Plan Comparison

Markets Approached

Marsh solicited 15 bids from various carriers, and received 5 bids from:

CIGNA Healthcare
Florida League of Cities
HIP
Humana
United Healthcare

The remaining carriers did not respond, were late, or chose not to quote for various reasons. Additionally, there were several qualifiers used to measure the responses forwarded by the carriers. The 3 most important parameters used to measure the responses were as follows:

Cost
Plan Design
Access

Prudential currently insures the Town of Davie for medical at a cost of approximately \$1,757,987. The proposed renewal requested an increase to approximately \$2,412,958.

This section outlines the cost associated with each Health bid. Four carriers submitted proposals for HMO and 5 carriers submitted quotes for POS. The highest bid was submitted by United at \$2,540,684 with the lowest submitted by CIGNA Healthcare at \$1,976,818. One Carrier, Florida League of Cities, submitted a proposal for POS only; therefore not meeting the specifications as required.

The Health insurance bids were shortlisted to 3 main carriers: CIGNA, HIP, and Humana. Carriers were then ranked by price with CIGNA, HIP, and Humana first, second, and third respectively.

Marsh requested that carriers submit benefits proposals that closely match the current benefits in force. After an in-depth analysis of the cost, the proposals for the 3 remaining carriers were analyzed. Although all 3 carriers submitted formidable proposals, it was decided that CIGNA and HIP provided the most competitive as well as comparable benefit designs with only a few discrepancies. Both CIGNA and HIP were contacted to provide presentations and take part in the interview process.

In addition, an in-depth disruption analysis was performed based on information provided by the Town of Davie. The information showed the providers currently selected by the employees of the Town of Davie. Out of a possible 912 selections, CIGNA matched approximately 540 selections or 59% and HIP matched approximately 434 or 48%.

Both carriers were interviewed and it was determined that CIGNA would be the carrier to provide the Health insurance to the Town of Davie for the Year 2000. This decision was based on cost, benefits, access, flexibility, and quality. In addition, CIGNA ranked first in each of the rated categories. HIP as a carrier was more expensive and did not possess the flexibility to accommodate the plan design requirements.

Self Insurance

The concept of self insuring Medical or Dental group insurance programs transfers the risk and administrative components of the program from the insurance carrier to the employer. All aspects of a group program; claim payments, stop loss insurance, administration, fund reserves, eligibility files, remain. Self insurance reduces the required premium tax payments normally assessed by the state to the insurance carriers and also reverts any insurance company profits earned from the group to the self-insured entity. These two factors are quite small as it relates to the overall cost of the program. The 2 components typically approximate less than 5% of the overall program cost. Self insurance will not reduce claim costs as the program has no affect on the rate of illness or frequency of medical services.

Self insurance can increase administrative or claim costs given the employer must now contract direct for all services and can frequently lose the efficiency and economies of scale a large insurer enjoys. In addition, the purchasing power of health services and ability to secure meaningful discounts in a network based product from medical providers is diminished when an employer is not a member of an insurers program. The end result could be an increase in claim costs per unit of service.

Plan administration can be costly given the need to buy separate services for claim payment, utilization review, medical management, stoploss insurance, customer service functions and eligibility record keeping. Insurers typically have the financial power to invest heavily in computer systems to link all these functions directly. Further, purchasing these services independently increases risk at this time with Y2K computer faults.

Frequent or ongoing catastrophic claims can negatively impact a self-insured program and negate any expected savings. The current risk market for stoploss insurance is very expensive and inflexible concerning plan provisions. The result is stoploss coverage is very hard to place under favorable terms and quite frequently limits coverage.

Prepared by:


William J. Curtin
Employee Benefit Services


Frank P. Cascone
Employee Benefit Services

**TOWN OF DAVE
POS COMPANY
RENEWAL JANUARY 2025**

HMO

	LINES	PRUDENTIAL CURRENT		
		AMOUNT	AMOUNT	TOTAL RATE
EE	123	\$ 163.05	\$ -	\$ 163.05
FAMILY	171	\$ 243.21	\$ -	\$ 243.21
ANNUAL PREMIUM	304	\$ 759.128	\$ 499,007	\$ 1,258,200

	LINES	PRUDENTIAL RENEWAL		
		AMOUNT	AMOUNT	TOTAL RATE
EE	133	\$ 267.64	\$ -	\$ 267.64
FAMILY	171	\$ 310.50	\$ 310.50	\$ 621.00
ANNUAL PREMIUM	304	\$ 945.448	\$ 939,000	\$ 1,884,448

	LINES	CIGNA HEALTHCARE		
		AMOUNT	AMOUNT	TOTAL RATE
EE	133	\$ 180.15	\$ -	\$ 180.15
FAMILY	171	\$ 270.00	\$ 270.00	\$ 540.00
ANNUAL PREMIUM	304	\$ 441,999	\$ 514,400	\$ 956,399

	LINES	HUMANA		
		AMOUNT	AMOUNT	TOTAL RATE
EE	131	\$ 213.20	\$ -	\$ 213.20
FAMILY	171	\$ 319.30	\$ 319.30	\$ 638.60
ANNUAL PREMIUM	304	\$ 995,483	\$ 933,448	\$ 1,928,931

	LINES	HIP		
		AMOUNT	AMOUNT	TOTAL RATE
EE	133	\$ 208.16	\$ -	\$ 208.16
FAMILY	171	\$ 257.50	\$ 257.50	\$ 515.00
ANNUAL PREMIUM	304	\$ 861,480	\$ 829,342	\$ 1,690,822

	LINES	UNITED HEALTHCARE		
		AMOUNT	AMOUNT	TOTAL RATE
EE	133	\$ 218.92	\$ -	\$ 218.92
FAMILY	171	\$ 327.45	\$ 327.45	\$ 655.80
ANNUAL PREMIUM	304	\$ 1,023,008	\$ 971,877	\$ 1,994,885

POS

	LINES	PRUDENTIAL CURRENT		
		AMOUNT	AMOUNT	TOTAL RATE
EE	86	\$ 170.78	\$ -	\$ 170.78
FAMILY	53	\$ 254.20	\$ 254.20	\$ 508.71
ANNUAL PREMIUM	139	\$ 348,608	\$ 361,759	\$ 710,367

	LINES	PRUDENTIAL RENEWAL		
		AMOUNT	AMOUNT	TOTAL RATE
EE	86	\$ 275.28	\$ -	\$ 275.28
FAMILY	53	\$ 409.94	\$ 409.94	\$ 819.87
ANNUAL PREMIUM	139	\$ 544,764	\$ 560,719	\$ 1,105,483

	LINES	CIGNA HEALTHCARE		
		AMOUNT	AMOUNT	TOTAL RATE
EE	86	\$ 197.43	\$ -	\$ 197.43
FAMILY	53	\$ 296.15	\$ 296.15	\$ 592.30
ANNUAL PREMIUM	139	\$ 305,049	\$ 388,811	\$ 693,860

	LINES	HUMANA		
		AMOUNT	AMOUNT	TOTAL RATE
EE	86	\$ 228.19	\$ -	\$ 228.19
FAMILY	53	\$ 338.64	\$ 338.64	\$ 676.86
ANNUAL PREMIUM	139	\$ 448,003	\$ 318,278	\$ 766,281

	LINES	HIP		
		AMOUNT	AMOUNT	TOTAL RATE
EE	86	\$ 209.79	\$ -	\$ 209.79
FAMILY	53	\$ 309.51	\$ 309.51	\$ 619.02
ANNUAL PREMIUM	139	\$ 464,652	\$ 394,848	\$ 859,500

	LINES	UNITED HEALTHCARE		
		AMOUNT	AMOUNT	TOTAL RATE
EE	86	\$ 288.71	\$ -	\$ 288.71
FAMILY	53	\$ 432.34	\$ 432.34	\$ 865.47
ANNUAL PREMIUM	139	\$ 572,488	\$ 274,851	\$ 847,339

	LINES	FLORIDA LEAGUE OF CITIES		
		AMOUNT	AMOUNT	TOTAL RATE
EE	219	\$ 304.95	\$ -	\$ 304.95
FAMILY	224	\$ 271.53	\$ 271.53	\$ 576.48
ANNUAL PREMIUM	443	\$ 1,488,999	\$ 358,873	\$ 1,847,872

GRAND TOTAL

\$ 1,977,947

\$ 2,413,898

\$ 1,979,318

\$ 2,818,878

\$ 2,041,228

\$ 2,848,664

\$ 2,188,688

MARSH
An MMC Company